

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED MAY 25, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
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May 12, 2005

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Office of Telecommunications Management. Our procedures included (1) a review of the office's internal controls; (2) tests of financial transactions for the period from July 1, 2003, through April 7, 2005; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2003, through April 7, 2005; and (4) a review of compliance with prior report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected office personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Office of Telecommunications Management was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The office's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on the Office of Telecommunications Management, dated April 21, 2003, we reported a finding relating to the lack of an internal audit. The finding is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Lack of Internal Audit Function

For the tenth consecutive year, the Office of Telecommunications Management, a section within the Division of Administration, did not have an effective internal audit function to examine, evaluate, and report on internal control, including data processing, and to evaluate its compliance with the policies and procedures of the control system. An effective internal audit function is necessary to ensure that the office's assets are safeguarded and that state policies and procedures are uniformly applied. Total office assets of \$13,710,148 and revenues of \$57,050,063 as of and for the year ended June 30, 2004, demonstrate the need for an effective internal audit function.

The Office of Telecommunications Management should develop and implement an effective internal audit function. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the office. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the office should be considered in reaching decisions on courses of action.

This report is intended solely for the information and use of the office and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Steve J. Theriot', is written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

VF:WDD:THC:dl

OTM05

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF TELECOMMUNICATIONS MANAGEMENT

KATHLEEN BABINEAUX BLANCO
GOVERNOR

JERRY LUKE LEBLANC
COMMISSIONER OF ADMINISTRATION

February 17, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Re: January 2005 Audit Comment- Office of Telecommunications Management -Lack of
Internal Audit Function

We concur with the finding on the lack of an internal audit function within the Office of Telecommunications Management. The Division of Administration has submitted requests for funding in prior years for this purpose that were not approved. It is our understanding that the DOA has again requested funding for this activity in the Fiscal Year 2005-2006 budget submission.

Attached you will find a copy of the official response from Jerry Luke Leblanc, Commissioner of Administration, on behalf of all Division of Administration sections. Please advise if additional information is required.

Sincerely,

A handwritten signature in dark ink, appearing to read "F. Derald Kirkland Jr.", written over a horizontal line.

F. Derald Kirkland Jr.
Director - OTM

November 15, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Re: October 27, 2004 Audit Comment-Lack of Internal Audit Function in the Executive Department

We concur with the finding on the lack of an internal audit function within the Executive Department. This department did submit a request for funding in the prior years for this purpose which were not approved. We have again requested funding for this activity in our Fiscal Year 2005-2006 budget submission.

While funding has been an issue, two other issues remain which have prevented implementation of an internal audit function within this agency. Although Civil Service positions have been established, it remains our opinion, that the pay grade allocations provided are inadequate to attract the level of personnel with the qualifications to perform this function. Filling positions with personnel not having the experience and qualifications to perform the internal audit function is not a practical resolution.

Additionally, the recent death of Inspector General Lynch has caused the Governor's Office to review the scope and charter of the Inspector General's office to ascertain if the current model (which is inclusive of an internal audit component) will be retained or if another model is more appropriate. Once that decision has been made the resolution of whether or not additional resources are to be provided for an internal audit function within the Executive Department-Division of Administration will be considered.

Sincerely,

Jerry Luke LeBlanc
Commissioner of Administration

JLL/wjk